

# Senate Study Bill 3293

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
GOVERNMENT OVERSIGHT BILL  
BY CHAIRPERSON COURTNEY)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act relating to postsecondary education financial assistance  
2 requirements for lending institutions, the Iowa student loan  
3 liquidity corporation, the college student aid commission,  
4 accredited postsecondary institutions, and private student  
5 loan creditors, and providing for properly related matters.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
7 TLSB 6635XC 82  
8 kh/rj/5

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1 1 Section 1. Section 7C.4A, subsection 3, Code 2007, is  
1 2 amended to read as follows:  
1 3 3. Sixteen percent of the state ceiling shall be allocated  
1 4 to qualified student loan bonds. However, at any time during  
1 5 the calendar year the governor's designee, ~~with the approval~~  
1 6 ~~of the Iowa student loan liquidity corporation,~~ may determine  
1 7 that a lesser amount need be allocated to qualified student  
1 8 loan bonds and on that date the lesser amount shall be the  
1 9 amount allocated for those bonds and the excess shall be  
1 10 allocated under subsection 7.  
1 11 Sec. 2. Section 7C.12, subsection 2, Code 2007, is amended  
1 12 by adding the following new paragraph:  
1 13 NEW PARAGRAPH. c. Shall report any reallocation of the  
1 14 amount of the state ceiling by the governor's designee in  
1 15 accordance with this chapter to the legislative government  
1 16 oversight committee and the auditor of state no later than the  
1 17 tenth day of the month following any reallocation. The report  
1 18 shall contain, at a minimum, the amount of each reallocation,  
1 19 the date of each reallocation, the name of the political  
1 20 subdivision and a description of all bonds issued pursuant to  
1 21 a reallocation, a brief explanation of the reason for the  
1 22 reallocation, and such other information as may be required by  
1 23 the committee.  
1 24 Sec. 3. NEW SECTION. 260C.30 FINANCIAL AID REQUIREMENTS.  
1 25 The board of directors of each community college shall do  
1 26 the following:  
1 27 1. Require every individual who secures a loan to attend  
1 28 classes as a student in a vocational=technical or career  
1 29 option program or a program which leads to an associate degree  
1 30 to view the financial aid education video made available by  
1 31 the college student aid commission in accordance with section  
1 32 261.7, subsection 1.  
1 33 2. Require its financial aid office to clearly distinguish  
1 34 private student loans from federal student loans in financial  
1 35 aid awards information and other materials. All materials  
2 1 provided by the financial aid office regarding private student  
2 2 loans shall state that private student loans are not  
2 3 collateralized by the federal government and can be costlier  
2 4 for borrowers than federal student loans. The financial aid  
2 5 office shall also inform prospective borrowers about the  
2 6 availability and terms of federal student loans. In  
2 7 conducting its education loan activities for students, parents  
2 8 or guardians, and lending institutions, the financial aid  
2 9 office is subject to the duties and obligations of the federal  
2 10 Truth in Lending Act to make or give to a borrower the  
2 11 disclosures, information, and notices required by the Act.  
2 12 For purposes of this section, "borrower" means the same as  
2 13 defined in section 261.7.  
2 14 3. Adopt the financial aid office code of conduct adopted  
2 15 by the college student aid commission pursuant to section

2 16 261.7, subsection 2. Prohibit the use of the community  
2 17 college's name or insignia by private lenders.  
2 18 4. Prohibit the community college and its financial aid  
2 19 office from entering into an agreement with a lending  
2 20 institution or otherwise providing any loans to borrowers in  
2 21 exchange for the community college providing concessions or  
2 22 promises to the lending institution that may prejudice other  
2 23 borrowers or prospective borrowers.  
2 24 5. Prohibit an employee of the community college, on the  
2 25 employee's behalf or on behalf of another, from directly or  
2 26 indirectly soliciting, accepting, or receiving any gift from  
2 27 or on behalf of a lending institution or loan servicer. This  
2 28 subsection shall not be construed as prohibiting a community  
2 29 college employee from conducting business with any lending  
2 30 institution or loan servicer, provided that such business is  
2 31 unrelated in any manner whatsoever with the community college.  
2 32 6. Require an employee to report to the administration any  
2 33 instance of a lending institution or loan servicer attempting  
2 34 to give a gift to the employee.  
2 35 7. Prohibit the financial aid office from packaging a  
3 1 private student loan before determining the borrower's  
3 2 eligibility for state assistance under chapter 261 or student  
3 3 assistance under Title IV of the federal Higher Education Act  
3 4 of 1965, as amended. The board shall also prohibit the  
3 5 financial aid office from packaging a private student loan  
3 6 before awarding the full amount of state or federal assistance  
3 7 the borrower is eligible to receive under chapter 261 or under  
3 8 Title IV of the federal Higher Education Act of 1965, as  
3 9 amended.  
3 10 Sec. 4. NEW SECTION. 261.7 FINANCIAL INFORMATION == CODE  
3 11 OF CONDUCT == REQUIREMENTS.  
3 12 1. FINANCIAL AID EDUCATION VIDEO. The commission shall  
3 13 develop a financial aid education video for students entering  
3 14 a postsecondary institution which the commission shall make  
3 15 available on its internet site, to postsecondary educational  
3 16 institutions, and to lending institutions throughout the  
3 17 state. The focus of the video shall be on responsible student  
3 18 borrowing and budgeting.  
3 19 2. CODE OF CONDUCT. The commission shall adopt by rule a  
3 20 financial aid code of conduct. Each financial aid office  
3 21 established by, and each financial aid officer employed by, a  
3 22 community college, regents university, or accredited private  
3 23 institution shall adhere to the code of conduct adopted  
3 24 pursuant to this subsection. The rules shall, at a minimum,  
3 25 provide:  
3 26 a. An institutional financial aid professional is expected  
3 27 to always maintain exemplary standards of professional conduct  
3 28 in all aspects of carrying out the professional's  
3 29 responsibilities, specifically including all dealings with any  
3 30 entities involved in any manner in student financial aid,  
3 31 regardless of whether such entities are involved in a  
3 32 government sponsored, subsidized, or regulated activity.  
3 33 b. A financial aid professional shall refrain from the  
3 34 following:  
3 35 (1) Taking any action for personal benefit.  
4 1 (2) Taking any action contrary to law, regulation, rule,  
4 2 or the best interests of the borrowers served.  
4 3 (3) Soliciting or accepting anything of other than nominal  
4 4 value from any entity, other than an institution of higher  
4 5 education or a governmental entity such as the United States  
4 6 department of education, involved in the making, holding,  
4 7 consolidating, or processing of any student loans, including  
4 8 anything of value such as reimbursement of expenses for  
4 9 serving on an advisory body or as part of a training activity  
4 10 of or sponsored by any such entity.  
4 11 c. A financial aid professional shall do the following:  
4 12 (1) Strive to provide information that is accurate,  
4 13 unbiased, and does not reflect any preference arising from  
4 14 actual or potential personal gain.  
4 15 (2) Be objective in making decisions and advising the  
4 16 financial aid office and the postsecondary educational  
4 17 institution of employment regarding relationships with any  
4 18 entity involved in any aspect of student financial aid.  
4 19 (3) Disclose to the financial aid office and postsecondary  
4 20 educational institution of employment, in such manner as  
4 21 prescribed by the office or institution, any involvement with  
4 22 or interest in any entity involved in any aspect of student  
4 23 financial aid.  
4 24 3. ANNUAL REPORT. The commission shall submit an annual  
4 25 report to the governor, general assembly, and the auditor of  
4 26 state providing the default rate for each community college,

4 27 regents university, and accredited private institution in the  
4 28 state.

4 29 4. STUDENT LOAN PROGRAM INFORMATION. The commission shall  
4 30 accumulate and periodically report information regarding  
4 31 available student loan interest rates and loan terms from  
4 32 eligible lenders as defined in section 261.35 to assist a  
4 33 potential student loan borrower evaluate various lenders'  
4 34 student loan programs.

4 35 5. OVERSIGHT, SERVICES, AND OUTREACH. The commission  
5 1 shall provide the following:

5 2 a. Lender and postsecondary educational institution  
5 3 financial aid oversight.

5 4 b. Training on student assistance provided under the  
5 5 federal Title IV of the federal Higher Education Act of 1965,  
5 6 as amended.

5 7 c. Default prevention assistance and information.

5 8 d. Student aid outreach.

5 9 e. Financial literacy outreach.

5 10 f. Lender claim review and payment processes.

5 11 6. LOAN ADVISORY FORM. The commission shall develop and  
5 12 make available to lending institutions a loan advisory form  
5 13 which includes but is not limited to a statement of rights and  
5 14 responsibilities of the borrower as well as space for the  
5 15 lending institution to provide the cumulative loan monthly  
5 16 payment for the borrower's education loan.

5 17 7. DEFINITION. "Borrower", for purposes of this section,  
5 18 means a student attending a community college, regents  
5 19 university, or accredited private institution as defined in  
5 20 section 261.9, or a parent or guardian, who obtains or applies  
5 21 to obtain an education loan from a lending institution to pay  
5 22 for or finance higher education expenses.

5 23 Sec. 5. Section 261.9, subsection 1, unnumbered paragraph  
5 24 1, Code 2007, is amended to read as follows:

5 25 "Accredited private institution" means an institution of  
5 26 higher learning located in Iowa which is operated privately  
5 27 and not controlled or administered by any state agency or any  
5 28 subdivision of the state and which meets the criteria in  
5 29 paragraphs "a" and "b" and all of the criteria in paragraphs  
5 30 "d" through ~~"g"~~ "h", except that institutions defined in  
5 31 paragraph "c" of this subsection are exempt from the  
5 32 requirements of paragraphs "a" and "b":

5 33 Sec. 6. Section 261.9, subsection 1, Code 2007, is amended  
5 34 by adding the following new paragraph:

5 35 NEW PARAGRAPH. h. Meets the following financial aid and  
6 1 lending requirements:

6 2 (1) Requires every individual who secures a loan to attend  
6 3 classes as a student at the institution to view the financial  
6 4 aid education video made available by the college student aid  
6 5 commission in accordance with section 261.7, subsection 1.

6 6 (2) Requires its financial aid office to clearly  
6 7 distinguish private student loans from federal student loans  
6 8 in financial aid awards information and other materials. All  
6 9 materials provided by the financial aid office regarding  
6 10 private student loans shall state that private student loans  
6 11 are not collateralized by the federal government and can be  
6 12 costlier for borrowers than federal student loans. The  
6 13 financial aid office shall also inform prospective borrowers  
6 14 about the availability and terms of federal student loans. In  
6 15 conducting its education loan activities for students, parents  
6 16 or guardians, and lending institutions, the financial aid  
6 17 office is subject to the duties and obligations of the federal  
6 18 Truth in Lending Act to make or give to a borrower the  
6 19 disclosures, information, and notices required by the Act.  
6 20 For purposes of this section, "borrower" means the same as  
6 21 defined in section 261.7.

6 22 (3) Adopts the financial aid office code of conduct  
6 23 adopted by the college student aid commission pursuant to  
6 24 section 261.7, subsection 2. Prohibit the use of the  
6 25 institution's name or insignia by private lenders.

6 26 (4) Prohibits the use of the institution's name or  
6 27 insignia by private lenders.

6 28 (5) Prohibits its financial aid office from entering into  
6 29 an agreement with a lending institution or otherwise providing  
6 30 any loans to borrowers in exchange for the institution  
6 31 providing concessions or promises to the lending institution  
6 32 that may prejudice other borrowers or prospective borrowers.

6 33 (6) Prohibits an employee of the institution, on the  
6 34 employee's behalf or on behalf of another, from directly or  
6 35 indirectly soliciting, accepting, or receiving any gift from  
7 1 or on behalf of a lending institution or loan servicer. This  
7 2 subsection shall not be construed as prohibiting an employee

7 3 of the institution from conducting business with any lending  
7 4 institution or loan servicer, provided that such business is  
7 5 unrelated in any manner whatsoever with the postsecondary  
7 6 institution.

7 7 (7) Requires an employee to report to the administration  
7 8 any instance of a lending institution or loan servicer  
7 9 attempting to give a gift to the employee.

7 10 (8) Prohibits the financial aid office from packaging a  
7 11 private student loan before determining the borrower's  
7 12 eligibility for state assistance under this chapter 261 or  
7 13 federal assistance under Title IV of the federal Higher  
7 14 Education Act of 1965, as amended. The institution shall also  
7 15 prohibit the financial aid office from packaging a private  
7 16 student loan before awarding the full amount of state or  
7 17 federal assistance the borrower is eligible to receive under  
7 18 chapter 261 or student assistance under Title IV of the  
7 19 federal Higher Education Act of 1965, as amended.

7 20 Sec. 7. NEW SECTION. 261.201 DESIGNATION OF STUDENT LOAN  
7 21 SECONDARY MARKET.

7 22 1. The commission shall adopt rules for the efficient and  
7 23 effective regulation of the secondary market for postsecondary  
7 24 education loans offered in the state.

7 25 2. The commission shall approve all providers of  
7 26 postsecondary education loans and all secondary markets that  
7 27 originate or hold loans for Iowa postsecondary education  
7 28 borrowers and shall designate at least one student loan  
7 29 secondary market to serve as the designated Iowa secondary  
7 30 market for purposes of this division. The designation is  
7 31 effective for a period of five years.

7 32 3. The designated student loan secondary market shall  
7 33 provide the commission with data and information relating to  
7 34 the designated student loan secondary market's activities as  
7 35 required or requested by the commission. The data required  
8 1 shall include but is not limited to the following:

8 2 a. Compensation including but not limited to salaries and  
8 3 benefits provided to the designated student loan secondary  
8 4 market's board of directors, senior executive officer, and all  
8 5 employees who report directly to the senior executive officer  
8 6 for all nonprofit and for-profit entities associated with the  
8 7 designated student loan secondary market.

8 8 b. The number and dollar amount of all loans originated,  
8 9 purchased, consolidated, and sold by the designated student  
8 10 loan secondary market for each postsecondary educational  
8 11 institution.

8 12 c. The number and dollar amount of all postsecondary  
8 13 education loans by category of source, including federal,  
8 14 state, local, institutional, and private education loans that  
8 15 are originated, purchased, consolidated, or sold by the  
8 16 designated student loan secondary market for each  
8 17 postsecondary educational institution.

8 18 d. The amount of any administrative fees paid to an  
8 19 individual, financial institution, or postsecondary  
8 20 educational institution for the purpose of originating or  
8 21 administering any scholarship, grant, or loan provided by the  
8 22 designated student loan secondary market.

8 23 e. Information required by the commission regarding the  
8 24 marketing or promotional materials provided by the designated  
8 25 student loan secondary market.

8 26 f. The designated student loan secondary market's complete  
8 27 balance sheet and income statement.

8 28 4. The commission shall compile information and data  
8 29 regarding the designated student loan secondary market's  
8 30 activities at the close of each fiscal year. By January 15  
8 31 annually, the commission shall submit a report to the general  
8 32 assembly, the governor, and the legislative services agency  
8 33 summarizing the information and data and including the  
8 34 commission's findings and recommendations.

8 35 Sec. 8. NEW SECTION. 261.202 LEGISLATIVE REVIEW.

9 1 The designation of the student loan secondary market shall  
9 2 be subject to legislative review at least every five years.  
9 3 The review shall consider the reports submitted by the student  
9 4 loan secondary market designee. The review shall be based  
9 5 upon a status report containing the recommendations of a  
9 6 legislative interim committee appointed to conduct a review of  
9 7 the student loan secondary market designee, to be prepared  
9 8 with the assistance of the auditor of state, in collaboration  
9 9 with the department of management. The status report shall  
9 10 include recommendations for a change in designation of the  
9 11 state student loan secondary market based upon designee  
9 12 performance, an analysis of the operation of the designee  
9 13 during the preceding five-year interval, and a summary of

9 14 issues that have arisen since the previous review and  
9 15 potential approaches for their resolution. The first such  
9 16 status report shall be submitted to the general assembly no  
9 17 later than January 1, 2010, with subsequent status reports  
9 18 developed and submitted by January 1 at least every fifth year  
9 19 thereafter.

9 20 Sec. 9. NEW SECTION. 261.203 STATE SUPERINTENDENT OF  
9 21 BANKING REVIEW.

9 22 The superintendent of banking shall annually review the  
9 23 student loan secondary market designee's total assets and  
9 24 private loan volume and shall submit the results of the review  
9 25 in a report to the general assembly by January 15.

9 26 Sec. 10. NEW SECTION. 261.204 ANNUAL FINANCIAL  
9 27 EXAMINATION.

9 28 The auditor of state and the auditor's legally authorized  
9 29 representatives shall annually examine the accounts and books  
9 30 of the student loan secondary market designee, including the  
9 31 designee's receipts, disbursements, contracts, leases, sinking  
9 32 funds, investments, and any other records and papers relating  
9 33 to its financial standing, and the designee shall pay all  
9 34 expenses incurred by the auditor of state in conducting the  
9 35 financial examination pursuant to this section.

10 1 Sec. 11. NEW SECTION. 261.205 IOWA STUDENT LOAN  
10 2 LIQUIDITY CORPORATION == REPORTS == OVERSIGHT.

10 3 1. CONDITION OF RECEIVING ALLOCATION. As a condition of  
10 4 continuing to receive the allocation of the state ceiling as  
10 5 provided in section 7C.4A, subsection 3, and to be authorized  
10 6 to issue bonds, notes, or other obligations in accordance with  
10 7 section 261.38, subsection 5, the Iowa student loan liquidity  
10 8 corporation shall comply with the provisions of this section.

10 9 2. LIMITATIONS ON ACTIVITIES. The Iowa student loan  
10 10 liquidity corporation shall limit its activities to the  
10 11 following:

10 12 a. Providing education loans for eligible borrowers.

10 13 b. Collecting and servicing loans to borrowers made in  
10 14 accordance with this section.

10 15 c. Postsecondary educational institution financial aid  
10 16 training.

10 17 d. Default prevention or activities that improve,  
10 18 strengthen, and expand student loan default prevention  
10 19 activities, including but not limited to the following:

10 20 (1) Establishing a program of partial loan cancellation to  
10 21 reward disadvantaged borrowers for good repayment histories  
10 22 with their lenders.

10 23 (2) Establishing a financial and debt management  
10 24 counseling program for high-risk borrowers that begins prior  
10 25 to the first disbursement of the borrower's first education  
10 26 loan and continues through the completion of the borrower's  
10 27 program of education or training, and provides long-term  
10 28 training in budgeting and other aspects of financial  
10 29 management, including debt management.

10 30 (3) Establishing a program of placement counseling to  
10 31 assist high-risk borrowers in identifying employment of  
10 32 additional training opportunities.

10 33 (4) Developing public service announcements that would  
10 34 detail consequences of student loan default and provide  
10 35 information regarding a toll-free telephone number established  
11 1 by the guaranty agency for use by borrowers seeking assistance  
11 2 in avoiding default.

11 3 3. PROHIBITION. The Iowa student loan liquidity  
11 4 corporation shall not do either of the following:

11 5 a. Pay any fee to a postsecondary educational institution  
11 6 or an employee of the institution for the purpose of  
11 7 originating or otherwise directly or indirectly affecting the  
11 8 borrower's choice of a loan.

11 9 b. Reimburse a postsecondary institution for costs  
11 10 associated with originating loans.

11 11 4. ANNUAL REPORT AND AUDIT.

11 12 a. The Iowa student loan liquidity corporation, including  
11 13 all for-profit and not-for-profit subsidiaries, shall submit  
11 14 an annual report to the governor, general assembly, and the  
11 15 auditor of state by January 15 setting forth the corporation's  
11 16 operations and activities conducted and newly implemented in  
11 17 the previous fiscal year and the outlook for the future. The  
11 18 report shall also describe how the Iowa student loan liquidity  
11 19 corporation's activities serve its nonprofit mission to help  
11 20 students and parents obtain the financial resources necessary  
11 21 for a postsecondary education and include the salary,  
11 22 earnings, wages, or compensation, and fees, paid to its top  
11 23 five corporation board members.

11 24 b. The annual audit of the Iowa student loan liquidity

11 25 corporation shall be filed with the office of auditor of  
11 26 state.

11 27 5. OPEN MEETINGS AND RECORDS. The provisions of chapters  
11 28 21 and 22 shall apply to the meetings and records of the Iowa  
11 29 student loan liquidity corporation. Chapter 17A does not  
11 30 apply to the corporation.

11 31 6. BOARD MEMBERSHIP. A member appointed to the board of  
11 32 directors of the Iowa student loan liquidity corporation must  
11 33 not have a conflict of interest and must be charged with  
11 34 representing the best interest of students and their parents  
11 35 or guardians. Notwithstanding any provision of law,  
12 1 proclamation, bylaws, or articles to the contrary, the  
12 2 superintendent of banking, any member of the board of  
12 3 directors of a merged area, and any member of the college  
12 4 student aid commission shall not serve as a member of the  
12 5 board of directors of the corporation.

12 6 7. DEFINITION. For purposes of this section, "borrower"  
12 7 means the same as defined in section 261.7.

12 8 Sec. 12. NEW SECTION. 262.34C FINANCIAL AID  
12 9 REQUIREMENTS.

12 10 Each institution of higher education governed by the board  
12 11 shall do the following:

12 12 1. Require every individual who secures a loan to attend  
12 13 classes at the institution to view the financial aid education  
12 14 video made available by the college student aid commission in  
12 15 accordance with section 261.7, subsection 1.

12 16 2. Require its financial aid office to clearly distinguish  
12 17 private student loans from federal student loans in financial  
12 18 aid awards information and other materials. All materials  
12 19 provided by the financial aid office regarding private student  
12 20 loans shall state that private student loans are not  
12 21 collateralized by the federal government and can be costlier  
12 22 for borrowers than federal student loans. The financial aid  
12 23 office shall also inform prospective borrowers about the  
12 24 availability and terms of federal student loans. In  
12 25 conducting its education loan activities for students, parents  
12 26 or guardians, and lending institutions, the financial aid  
12 27 office is subject to the duties and obligations of the federal  
12 28 Truth in Lending Act as defined in section 537.1302 to make or  
12 29 give to a borrower the disclosures, information, and notices  
12 30 required by the Act. For purposes of this section, "borrower"  
12 31 means the same as defined in section 261.7.

12 32 3. Adopt the financial aid office code of conduct adopted  
12 33 by the college student aid commission pursuant to section  
12 34 261.7, subsection 2. Prohibit the use of the institution's  
12 35 name or insignia by private lenders.

13 1 4. Prohibit the use of the institution's name or insignia  
13 2 by private lenders.

13 3 5. Prohibit its financial aid office from entering into an  
13 4 agreement with a lending institution or otherwise providing  
13 5 any loans to borrowers in exchange for the institution  
13 6 providing concessions or promises to the lending institution  
13 7 that may prejudice other borrowers or prospective borrowers.

13 8 6. Prohibit an employee of the institution, on the  
13 9 employee's behalf or on behalf of another, from directly or  
13 10 indirectly soliciting, accepting, or receiving any gift from  
13 11 or on behalf of a lending institution or loan servicer. This  
13 12 subsection shall not be construed as prohibiting an employee  
13 13 of the institution from conducting business with any lending  
13 14 institution or loan servicer, provided that such business is  
13 15 unrelated in any manner whatsoever with the regents  
13 16 institution.

13 17 7. Require an employee to report to the administration any  
13 18 instance of a lending institution or loan servicer attempting  
13 19 to give a gift to the employee.

13 20 8. Prohibit the financial aid office from packaging a  
13 21 private student loan before determining the borrower's  
13 22 eligibility for state assistance under chapter 261 or federal  
13 23 assistance under Title IV of the federal Higher Education Act  
13 24 of 1965, as amended. The institution shall also prohibit the  
13 25 financial aid office from packaging a private student loan  
13 26 before awarding the full amount of state or federal assistance  
13 27 the borrower is eligible to receive under chapter 261 or  
13 28 student assistance under Title IV of the federal Higher  
13 29 Education Act of 1965, as amended.

13 30 Sec. 13. NEW SECTION. 537.3213 STUDENT LOAN REQUIREMENTS  
13 31 == FINANCIAL EDUCATION VIDEO.

13 32 1. As a condition of obtaining a private education loan  
13 33 from a creditor, the borrower must view the financial  
13 34 education video developed and made available by the college  
13 35 student aid commission in accordance with section 261.7 during

14 1 the education loan application process and prior to obtaining  
14 2 an education loan from a creditor.

14 3 2. The creditor shall provide a borrower with a loan  
14 4 advisory letter in the form made available by the college  
14 5 student aid commission pursuant to section 261.7.

14 6 3. The creditor shall inform the borrower of all available  
14 7 state education financing options, and financing options under  
14 8 Title IV of the federal Higher Education Act of 1965, as  
14 9 amended, including information on any terms and conditions of  
14 10 available loans under such title that are more favorable to  
14 11 the borrower, before a lending institution may provide a  
14 12 private education loan to a borrower attending a postsecondary  
14 13 educational institution with which a lending institution has  
14 14 an education loan arrangement. All private education loan  
14 15 materials distributed by the creditor shall state that private  
14 16 education loans are not collateralized by the federal  
14 17 government and can be costlier for borrowers than federal  
14 18 student loans.

14 19 4. A creditor in an education loan transaction shall  
14 20 comply with section 537.3201 and all private education loan  
14 21 rates quoted by the creditor shall include the full annual  
14 22 percentage rate in addition to any other disclosure required  
14 23 pursuant to section 537.3201. The creditor shall provide the  
14 24 borrower with an accurate annual percentage rate before the  
14 25 borrower signs an agreement of obligation for a private  
14 26 education loan.

14 27 5. A creditor shall notify the borrower's postsecondary  
14 28 educational institution prior to issuing a private education  
14 29 loan, and shall report all private education loans to the  
14 30 national student loan data system.

14 31 6. Acts or practices that a creditor shall not engage in  
14 32 include but are not limited to the following:

14 33 a. Offer payments, points, premiums, or other benefits or  
14 34 inducements to any school, school-affiliated organization, or  
14 35 other party to secure applications for education loans or to  
15 1 secure education loan volume.

15 2 b. Provide prizes or financial aid funds to a student  
15 3 attending a postsecondary educational institution in exchange  
15 4 for applying for and accepting an education loan.

15 5 c. Solicit an employee of a postsecondary educational  
15 6 institution or postsecondary educational  
15 7 institution-affiliated organization to serve on a lender's  
15 8 advisory board.

15 9 d. Pay conference or training registration,  
15 10 transportation, or lodging costs for an employee of a  
15 11 postsecondary educational institution or postsecondary  
15 12 educational institution-affiliated organization.

15 13 e. Pay entertainment expenses for employees of a  
15 14 postsecondary educational institution or postsecondary  
15 15 educational institution-affiliated organization.

15 16 f. Send unsolicited student loan application mailings to a  
15 17 borrower, except one who previously borrowed moneys through a  
15 18 federally guaranteed education loan from the lender.

15 19 g. Make a financial contribution to a postsecondary  
15 20 educational institution or postsecondary educational  
15 21 institution-affiliated organization in exchange for education  
15 22 loan application referrals, volume, or placement on the  
15 23 institution's preferred lender list.

15 24 h. Conduct in-person loan counseling to borrowers on a  
15 25 postsecondary educational institution's behalf.

15 26 i. Provide a postsecondary educational institution's  
15 27 financial aid office staffing assistance, unless the  
15 28 assistance is short-term, nonrecruiting, and an emergency,  
15 29 such as a state or federally declared national disaster or  
15 30 emergency as identified by the United States department of  
15 31 education.

15 32 j. Engage in revenue sharing with a postsecondary  
15 33 educational institution.

15 34 k. Enter into an agreement or otherwise provide any loans  
15 35 in exchange for a postsecondary educational institution  
16 1 providing concessions or promises to the lending institution  
16 2 that may prejudice other borrowers or prospective borrowers.

16 3 7. A creditor may provide the following:

16 4 a. Assistance to a postsecondary educational institution  
16 5 that is comparable to assistance provided by the United States  
16 6 department of education.

16 7 b. Support of and participation in student aid and  
16 8 financial literacy outreach activities offered by a  
16 9 postsecondary educational institution, the college student aid  
16 10 commission, or the state designated student loan secondary  
16 11 market.

16 12 c. Meals, refreshment, and receptions scheduled in  
16 13 conjunction with training, meeting, or conference events.  
16 14 d. Toll-free telephone numbers to obtain federally  
16 15 guaranteed education loan information.  
16 16 e. Free data transmission services for loan application  
16 17 processing and student status confirmation data.  
16 18 f. Reduced origination fees pursuant to 34 C.F.R. }  
16 19 682.202.  
16 20 g. Reduced interest rates.  
16 21 h. Payment of federal default fee.  
16 22 i. Purchase at a premium of a loan from another eligible  
16 23 lender under the federal family education loan program.  
16 24 j. Repayment incentive requiring one or more payments to  
16 25 receive or retain the benefit.  
16 26 k. Loan forgiveness programs for public service or other  
16 27 targeted purposes which the United States department of  
16 28 education approves, provided the programs are not marketed to  
16 29 secure student loan applicants.  
16 30 l. Other activities identified and permitted under United  
16 31 States department of education guidelines or approved by the  
16 32 college student aid commission.  
16 33 8. "Borrower" for purposes of this section means the same  
16 34 as defined in section 261.7.

#### 16 35 EXPLANATION

17 1 This bill provides postsecondary education lending  
17 2 requirements for lending institutions, the Iowa student loan  
17 3 liquidity corporation, and accredited postsecondary  
17 4 institutions. The bill authorizes the college student aid  
17 5 commission to designate a student loan secondary market for  
17 6 the state.

17 7 REALLOCATION OF STATE CEILING AMOUNT == REPORT. The bill  
17 8 adds a reporting requirement to a provision which allows the  
17 9 governor's designee (Iowa finance authority executive  
17 10 director) to transfer bonding capacity allocated to qualified  
17 11 student loan bonds to another political subdivision and  
17 12 eliminates the requirement that such transfers be approved by  
17 13 the Iowa student loan liquidity corporation. The bill  
17 14 requires the governor's designee to report reallocations to  
17 15 the government oversight committee and the auditor of state.

17 16 IOWA STUDENT LOAN LIQUIDITY CORPORATION. As a condition of  
17 17 continuing to receive the allocation of the state ceiling for  
17 18 qualified student loan bonds, and to be authorized to issue  
17 19 bonds, notes, or other obligations by statute, the corporation  
17 20 is directed to comply with requirements to submit a report to  
17 21 the governor, general assembly, and the auditor of state  
17 22 setting forth the corporation's operations and activities, the  
17 23 outlook for the future, a description of how the corporation's  
17 24 activities serve its nonprofit mission, and compensation paid  
17 25 to top board members; file its annual audit with the office of  
17 26 auditor of state; and comply with the open meetings and  
17 27 records law.

17 28 The bill limits the corporation's activities to providing  
17 29 education loans for eligible borrowers, collecting and  
17 30 servicing those loans, postsecondary educational institution  
17 31 financial aid training, and default prevention.

17 32 The bill provides that a member appointed to the board of  
17 33 directors of the Iowa student loan liquidity corporation must  
17 34 not have a conflict of interest and must be charged with  
17 35 representing the best interest of students and their parents  
18 1 or guardians. The bill prohibits the superintendent of  
18 2 banking, any member of the board of directors of a merged  
18 3 area, and any member of the college student aid commission  
18 4 from serving on the corporation's board of directors.

18 5 STUDENT LOAN SECONDARY MARKET. The college student aid  
18 6 commission is required to designate a student loan secondary  
18 7 market for a period of five years and such designation is made  
18 8 subject to legislative review.

18 9 The bill requires the superintendent of banking to annually  
18 10 review the designated student loan secondary market's total  
18 11 assets and private loan volume. The bill further requires the  
18 12 auditor of state or the auditor's representatives to annually  
18 13 examine the accounts and books of the designated student loan  
18 14 secondary market. The designated secondary market must pay  
18 15 the expenses incurred by the auditor.

18 16 COMMUNITY COLLEGES, REGENTS UNIVERSITIES, ACCREDITED  
18 17 POSTSECONDARY INSTITUTIONS. The bill requires community  
18 18 colleges, regents universities, and accredited postsecondary  
18 19 institutions to require every individual who secures a loan to  
18 20 attend classes at the institution to view the financial aid  
18 21 education video the bill requires the college student aid  
18 22 commission to develop and make available. The bill also



18 23 requires institutions' financial aid offices to clearly  
18 24 distinguish private student loans from federal student loans  
18 25 and in its materials state that private education loans are  
18 26 not backed by the federal government. The bill makes the  
18 27 institutions' financial aid offices subject to the duties and  
18 28 obligations of the federal Truth in Lending Act to make or  
18 29 give to a borrower the disclosures, information, and notices  
18 30 required by the Act.

18 31 The bill prohibits the use of a postsecondary educational  
18 32 institution's name or insignia by private lenders and loan  
18 33 servicers, prohibits an institution and its financial aid  
18 34 office from entering into an agreement with a lending  
18 35 institution or otherwise providing any loans to borrowers in  
19 1 exchange for providing concessions or promises to the lending  
19 2 institution that may prejudice other borrowers or prospective  
19 3 borrowers, and prohibits an employee from directly or  
19 4 indirectly soliciting, accepting, or receiving any gift from  
19 5 or on behalf of a lending institution or loan servicer. The  
19 6 bill also requires an employee of postsecondary educational  
19 7 institutions to report to the institution's administrator any  
19 8 instance of a lending institution or loan servicer attempting  
19 9 to give a gift to the employee.

19 10 The bill also prohibits postsecondary educational  
19 11 institution financial aid offices from packaging a private  
19 12 education loan before determining the borrower's eligibility  
19 13 for state or federal education assistance and before awarding  
19 14 the full amount of state or federal assistance the borrower is  
19 15 eligible to receive.

19 16 COLLEGE STUDENT AID COMMISSION. The commission is directed  
19 17 to adopt rules for the efficient and effective regulation of  
19 18 the secondary market for postsecondary education loans. The  
19 19 commission is also directed to approve all providers of  
19 20 postsecondary education loans and all secondary markets that  
19 21 originate or hold loans for Iowa postsecondary education  
19 22 borrowers.

19 23 The commission is authorized to designate at least one  
19 24 student loan secondary market to serve Iowa. The designation  
19 25 is effective for a period of five years. The designated  
19 26 secondary market must provide the commission with data and  
19 27 information as required or requested by the commission. The  
19 28 commission must compile the information and data at the close  
19 29 of each fiscal year and submit by January 15 annually, a  
19 30 report to the general assembly, the governor, and the  
19 31 legislative services agency summarizing the information and  
19 32 data and including the commission's findings and  
19 33 recommendations.

19 34 The commission is directed to develop a financial aid  
19 35 education video on responsible student borrowing and budgeting  
20 1 for students securing a loan to attend classes at a  
20 2 postsecondary institution and must make the video available on  
20 3 its internet site, to postsecondary educational institutions,  
20 4 and lending institutions throughout the state.

20 5 The bill requires the commission to adopt by rule a  
20 6 specified financial aid code of conduct that each financial  
20 7 aid office established by, and each financial aid officer  
20 8 employed by, a community college, regents university, and  
20 9 accredited private institution must adhere to. The commission  
20 10 must also submit an annual report to the governor, general  
20 11 assembly, and the auditor of state providing the default rate  
20 12 for each state or private accredited postsecondary institution  
20 13 in the state, and must accumulate and periodically report  
20 14 student loan rates and loan term information to assist a  
20 15 potential student loan borrower evaluate various student loan  
20 16 programs.

20 17 The commission is also directed to provide lender and  
20 18 postsecondary educational institution financial institution  
20 19 oversight, training on federal student assistance, default  
20 20 prevention assistance and information, student aid outreach,  
20 21 financial literacy outreach, and lender claim review and  
20 22 payment processes.

20 23 PRIVATE STUDENT LOAN CREDITORS. The bill requires all  
20 24 student loan borrowers to view the commission's financial aid  
20 25 education video as a condition of obtaining a private  
20 26 education loan. The creditor must provide a borrower with a  
20 27 loan advisory letter, inform the borrower of all available  
20 28 state and federal education financing options, and provide  
20 29 that all private education loan materials state that the loans  
20 30 are not backed by the federal government and can be costlier  
20 31 for borrowers than federal student loans.

20 32 The creditor must comply with the federal Truth in Lending  
20 33 Act and all private education loan rates quoted by the

20 34 creditor must include the full and accurate annual percentage  
20 35 rate. The creditor must notify the borrower's postsecondary  
21 1 educational institution prior to issuing a private education  
21 2 loan, and must report all private education loans to the  
21 3 national student loan data system.  
21 4 The bill includes a list of prohibited and permissible  
21 5 activities for creditors, including prohibiting a creditor  
21 6 from directly or indirectly offering or providing any gift to  
21 7 a postsecondary educational institution employee in exchange  
21 8 for any advantage or consideration related to its education  
21 9 loan activities, from engaging in revenue sharing with a  
21 10 postsecondary educational institution, and from entering into  
21 11 an agreement or otherwise providing loans in exchange for a  
21 12 postsecondary educational institution providing concessions or  
21 13 promises to the lending institution that may prejudice other  
21 14 borrowers or prospective borrowers.  
21 15 LSB 6635XC 82  
21 16 kh/rj/5